

State of New Jersey
Board of Public Utilities
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Newark, NJ 07102
www.bpu.state.nj.us

I/M/O THE PROVISION OF BASIC GENERATION)
SERVICE PURSUANT TO THE ELECTRIC)
DISCOUNT AND ENERGY COMPETITION ACT)
N.J.S.A. 48:3-49 ET SEQ. - JERSEY CENTRAL)
POWER & LIGHT COMPANY –GREEN PILOT)
PROGRAM - REQUEST FOR PROPOSAL)

ENERGY

DECISION AND ORDER

Docket No. EX01110754

(Service List Attached)

BY THE BOARD:

By Order dated December 18, 2002, the Board approved with modifications, the joint auction proposal of Public Service Electric and Gas Company ("PSE&G"), Jersey Central Power & Light Company ("JCP&L"), Conectiv Power Delivery ("Conectiv") and Rockland Electric Company ("Rockland"), as the best means to secure electricity for Basic Generation Service ("BGS") for Year One, as well as a portion of the electricity required for Years Two and Three of the post-Transition Period, beginning August 1, 2003. As part of that Order, the Board also approved a request for proposal ("RFP") process for JCP&L to secure supplies for a "Green Pilot Program" ("Pilot Program"). At its December 18, 2002 Agenda meeting, the Board took action clarifying the Pilot Program, which was reflected in an Order of Clarification dated December 26, 2002. On December 23, 2002, JCP&L filed a revised RFP in compliance with the action taken at the December 18, 2002 Agenda meeting.

Specifically, the Board ordered JCP&L to issue an RFP to supply 200 megawatts ("MW") of retail load or electric service for 150,000 residential customers, whichever is greater, with electricity that is three times the requirements set forth in the Board's current Renewable Portfolio Standards¹. The 150,000 residential customers represents approximately 7.0 % of JCP&L's total BGS-FP load.

RFP SUMMARY

On December 24, 2002, JCP&L released the Pilot Program RFP to potential bidders through the auction website: www.bgs-auction.com. The RFP requested competitive proposals from qualified parties ("Bidders") for green power to serve 200 MW of load or 150,000 residential customers in eight tranches of 25MW or 18,750 customers. Bidders were permitted to bid on from one to eight

¹ Renewable Portfolio Standards were adopted by the Board pursuant to N.J.S.A.48:3-87 and require all retail suppliers to incorporate a minimum amount of renewable energy in their electricity supply. The Board's Renewable Portfolio Standards are found at N.J.A.C. 14:4-8.

tranches of the Pilot Program. All parties with the ability to become licensed electric power suppliers, including affiliates of the regulated utility, were eligible to participate in the bid process. The Pilot Program will have a term from August 1, 2003 through May 31, 2004. If approved by the Board, the winning prices from the JCP&L RFP process will be averaged with the final prices obtained through the BGS-FP Auction, to determine JCP&L's system-wide BGS-FP rates.

On February 13, 2003, National Economic Research Associates ("NERA"), the designated RFP Manager, received three bid packages. These bid packages were opened in front of Board Staff representatives. Pursuant to the evaluation process identified in the RFP, NERA evaluated the creditworthiness of the bidders and reviewed the required certifications for compliance with the RFP. Bidders that were deficient in either of these areas were contacted and given until February 18, 2003 to correct the shortcomings. On February 18, 2003, two parties were in compliance with the RFP and thereby determined to be qualified bidders². The bids from the two qualified bidders were opened and reviewed, with Board Staff present. The results of the RFP process for the eight available tranches were submitted to the Board on February 18, 2003. Pursuant to the schedule set forth in the Board's December 18, 2002 Order, the Board is acting on the results of the RFP process within two calendar days of the proposals having been submitted for Board consideration.

NERA reviewed the proposals and completed a Board approved checklist. NERA, through JCP&L, has provided its checklist to the Board and the Division of the Ratepayer Advocate. Staff from the Division of Energy and the Office of the Economist monitored the RFP process to assure that it was conducted in a fair and consistent manner. Based on a review of the proposals and other information available, Staff also submitted a checklist to the Board with its recommendations on the JCP&L RFP process.

NERA and Staff's assessments of proposals from the two qualified bidders are consistent and indicate the following in support of accepting the winning proposal prices: Bidders had sufficient information to prepare for the JCP&L RFP process; information was provided to Bidders in accordance with the published timetable; there were no issues nor questions left unresolved that could have created material uncertainty for Bidders; all communication protocols were followed; the JCP&L RFP process took place according to schedule; no security breaches were observed during the JCP&L RFP process; there was no evidence of confusion nor misunderstanding on the part of the Bidders; there were no legitimate complaints from Bidders about the process; the JCP&L RFP process was carried out in a fair manner; there was no evidence of collusion nor improper coordination among Bidders; there were no factors exogenous to the JCP&L RFP process that materially affected the JCP&L RFP process; and finally, the JCP&L RFP process appears to have generated a result that is consistent with competitive bidding, market-determined prices, and efficient allocation of the JCP&L load.

The low Bidder in JCP&L's RFP process is FirstEnergy Solutions Corp. with a bid of 5.444 cents/kwh for all eight tranches.

² By letter dated February 14, 2003, Green Mountain Power requested that the Board consider its non-conforming bid submitted in response to the Pilot Program RFP. The Board considers the Green Mountain request to be inappropriate and has not given the February 14, 2003 letter any weight in determining this matter.

FINDINGS AND CONCLUSIONS

The independent NERA and Staff assessments are consistent with each other and indicate that the proposal process proceeded properly, according to the Board-approved RFP, in a fair manner and both recommend that the Board certify the proposal results. Staff assigned to oversee the proposal process has also briefed the individual Commissioners on the conduct of the process and on the final results. When averaged with the results of the BGS-FP Auction³, the winning Pilot Program RFP bids would increase the price that is used to determine BGS-FP customer electric generation rates for the 10-month period from August 1, 2003 through May 31, 2004 by .307%.

After reviewing the bids from the qualified bidders, the NERA and Staff assessments of those bids and discussing the results and conduct of the process with Staff, the Board FINDS that:

- Bidders had sufficient information to prepare for the JCP&L RFP process;
- Information was provided to Bidders in accordance with the published timetable;
- There were no issues nor questions left unresolved prior to submission of the bids that could have created material uncertainty for Bidders;
- All communication protocols were followed;
- The JCP&L RFP process took place according to schedule;
- No security breaches were observed during the JCP&L RFP process;
- There was no evidence of confusion nor misunderstanding on the part of the Bidders;
- There were no legitimate complaints from Bidders about the process;
- The JCP&L RFP process was carried out in a fair manner;
- There was no evidence of collusion nor improper coordination among Bidders;
- There were no factors exogenous to the JCP&L RFP process that materially affected the JCP&L RFP process.
- The JCP&L RFP process appears to have generated a result that is consistent with competitive bidding, market-determined prices, and efficient allocation of the JCP&L load;

Therefore, the Board hereby CERTIFIES the final results of the JCP&L RFP process in its entirety and subsequently APPROVES the winning bid prices for JCP&L's Pilot Program, which will be rolled into the final prices obtained through the BGS-FP Auction to establish customer rates. Furthermore, the Board DIRECTS JCP&L to execute the necessary documents, including the form of the BGS-Green Supplier Master Agreement filed by JCP&L in its December 23, 2002 compliance filing, with the winning bidders within two business days of the date of this Order.

The JCP&L Green Pilot Program is an innovative step forward in advancing renewable energy in New Jersey, in familiarizing customers with green power, and in terms of customer assignment. JCP&L will inform its residential customers of the implementation of this Pilot Program and solicit customers to be served by the winning bidder. The Board views this aspect of the program as one possible indicator of customer interest in clean energy and as a potential stepping stone to a long term relationship between volunteer customers and the winning bidder, once the Pilot Program is over. To the extent there is not sufficient customer enrollment within the allotted timeframe, the tranches will be filled through random

³ The weighted average price from the JCP&L BGS-FP 10-month and 34-month Auction is 5.215 cents/kwh. When averaged with the 5.444 cents/kwh for the 200MW Pilot Program, the final electricity price used to determine BGS-FP customer rates will be 5.231 cents/kwh.

customer assignment.⁴ Since there will be no price differential during the Pilot Program, if it is necessary to assign customers the Board is hopeful that these assigned customers will take the opportunity to become familiar with clean energy.

The Board believes it is important that Staff oversee all aspects of the Pilot Program that involve customer contact from JCP&L or may impact upon the ability of winning suppliers to perform hereunder. Therefore, the Board FURTHER DIRECTS JCP&L to (1) review all generic customer mailings involving the Pilot Program with Staff prior to dissemination (2) provide Staff with monthly reports on the status of the customer enrollment process, including data on volunteer enrollments, customer assignments and assigned customers that opt out and (3) notify Staff immediately of any potential change in the ability of the winning bidder to fulfill its obligations, and to confer with Staff on the prospective resolution of such matters.

DATED: February 21, 2003

BOARD OF PUBLIC UTILITIES
BY:

(SIGNED)

JEANNE M. FOX
PRESIDENT

(SIGNED)

FREDERICK F. BUTLER
COMMISSIONER

(SIGNED)

CAROL J. MURPHY
COMMISSIONER

(SIGNED)

JACK ALTER
COMMISSIONER

Commissioner Connie O. Hughes abstained from voting in this matter.

ATTEST:

(SIGNED)

KRISTI IZZO
SECRETARY

⁴ If necessary, residential customers will be randomly assigned to the Green Pilot Program. Customers will be notified that they have been chosen for this program and given the opportunity to opt-out, if they so desire.